

The Budget—Mr. Gordon

like to say to hon. members that I made a very careful examination of the income tax schedules. I did not think that it would be appropriate, in view of the increases that have occurred in the cost of living in the last few years, to increase the income taxes in the lower brackets, but if an increase were made in all the taxable rates brackets over \$4,000 of even 10 per cent, the amount would not produce a sufficient revenue for the purposes under consideration. Apart from that I was impressed by the arguments that lend themselves to this approach rather than to increase further income tax rates.

The manufacturers sales tax is not imposed on exports, and it is levied on imported goods as well as on those made here. It therefore does not have the same adverse effect on our international trade position that some other taxes do. There is, however, widespread dissatisfaction about the inequity of a situation in which many areas of industry are subject to this tax while others are exempt.

Accordingly we are asking the house to make certain changes in the tax. These changes will not alter the rate of tax and will leave untouched the exemptions covering staple food products. It is by virtue of these continuing exemptions that the tax is prevented from imposing an unfair burden on lower income groups.

We are, however, asking the house to withdraw, effective tonight, the exemptions for building materials and also for production machinery and equipment other than that employed in fishing and agriculture. This measure will produce increased revenues of some \$170 million in this fiscal year and some \$360 million in 1964-65. These amounts include increases in the income of the old age security fund of some \$45 million this year and \$100 million next year. The old age security fund is now considerably in debt to the consolidated revenue fund and would otherwise be faced with continuing deficits in years to come.

The government is anxious to ensure that the withdrawal of the sales tax exemption on building materials will not work hardship on those who purchase houses under the provisions of the National Housing Act. Accordingly my colleague the Minister of National Revenue (Mr. Garland), has authorized me to announce that he will propose to the house that the National Housing Act be amended in such a way as to reduce the down payment required in connection with mortgage loans made under it. N.H.A. loans will be extended so as to cover 95 per cent of the first \$13,000 instead of the first \$12,000 of the value of a house, and the maximum loan amount will be raised from \$14,900 to

\$15,600. Further, the N.H.A. lending rate will be reduced immediately from 6½ per cent to 6¼ per cent, a move that is, I am glad to say, in line with recent movements in other rates of interest.

I have mentioned tonight four measures affecting low priced housing. They include the removal of the sales tax exemption on building products, the reduction in N.H.A. down payments, the lowering of the mortgage rate, and the program to encourage house building in the winter months. The result of all of these measures will be that the down payment in connection with low priced housing will fall significantly while the monthly payments required to carry a purchase will rise only slightly. The over-all effect will be to provide encouragement to house construction and to house ownership.

The government has considered the possible effects of the removal of sales tax exemptions on firms working under fixed price contracts. Fixed price contracts are common in the construction industry, and the amounts involved are frequently substantial. Relief will be provided in cases where a manufacturer or contractor is prevented by a contract from including the new tax in his selling price.

The source of revenue which we shall seek on a non-recurring basis relates to the income tax on corporations. It is desirable that corporations should pay their income tax as their income is earned to a greater extent than they do at present.

Individuals are required to pay their income tax on a current basis through deductions by their employers or by payment of quarterly instalments starting in March. Moreover they are required to file final tax returns and make final payments within four months of the end of each year.

Corporate taxpayers, on the other hand, do not start payment until the seventh month of their fiscal year and do not have to file their return until six months after their fiscal year is ended. There is no need for this disparity. It is therefore proposed that corporations be required to move their tax payment period forward two months. This means that the final filing time for corporate tax returns will be the same as for individuals. This change will take place over two years and special rules will apply for the transitional period.

This measure will provide some \$220 million in non-recurring revenue, of which about \$20 million will go to the old age security fund. This will be received in the fiscal years 1964-65 and 1965-66. It will have the continuing advantage that revenue from the corporation income tax, which will now be